Table of Contents

	Chapter Name	Page Reference
CK	- Copyright and Legal Notices	2
1	- Introduction to Strategic Management	3 - 6
2	- Strategic Analysis & External Environment	7 - 11
3	- Strategic Analysis - Internal Environment	12 - 16
4	- Strategic Choices	17 - 20
5	- Strategy Implementation and Evaluation	21 - 28

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This document has been meticulously compiled and designed for the best possible revision purposes, aiming to assist students and professionals in mastering the complexities of Cost and Management Accounting. The structure, presentation, and curated compilation of these revision materials—including but not limited to the comprehensive modules on Introduction to Strategic Management, and Strategic Analysis & External Environment, Strategic Analysis - Internal Environment, Strategic Choices and Strategy Implementation and Evaluation — are the exclusive intellectual property of Chandu Kanuri Publications Ltd.

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1. Introduction to Strategic Management

1. Concept of Management

- **As a Key Group:** It refers to the group in charge of an organization's affairs. They mobilize and utilize diverse resources (manpower, money, material, technology) to create a functioning whole. Survival depends on their competence and character.
- **As a Process:** It is a set of interrelated functions: Planning, Organising, Directing, Staffing, and Control. It is an influence process backed by power and competence to formulate goals and adapt to the environment.

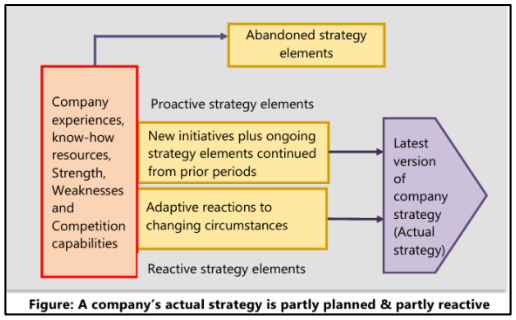
2. Concept of Strategy

Strategy is the game plan used by management **to take a market position, conduct operations, satisfy customers, compete successfully, conduct its operations and achieve organizational objectives**. It reduces uncertainty caused by changes in the environment.

Key Characteristics:

- **Long-range Blueprint:** It defines the organization's desired image, direction, and destination (what it wants to be, what it wants to do, and where it wants to go).
- It is consciously considered and flexibly designed **scheme of corporate intent and action**;
  - **to mobilize resources**,
  - **to direct human effort and behavior,**
  - **to handle events and problems**,
  - **to perceive and utilize opportunities**,
  - **to meet challenges and threats for corporate survival and success**
- **Flexible & Pragmatic:** Strategy is never perfect or flawless. It must be flexible to handle emergencies and avoid failures. It is no substitute for sound, alert and responsible management. Allowances are made for possible miscalculations and unanticipated events.

Strategy: Proactive vs. Reactive


Abandoned strategy elements
Company experiences, know-how resources, Strength, Weaknesses and Competition capabilities
Proactive strategy elements
New initiatives plus ongoing strategy elements continued from prior periods
Adaptive reactions to changing circumstances
Reactive strategy elements
Latest version of company strategy (Actual strategy)
Figure: A company's actual strategy is partly planned & partly reactive

- **Proactive Strategy (Planned):** Deliberate actions by managers to improve market position and financial performance based on prior successful experiences and new initiatives.
- **Reactive Strategy (Adaptive):** Responses to unanticipated developments, fresh market conditions, and unforeseen environmental changes.

3. Strategic Management

It is the managerial process of developing a strategic **vision**, setting **objectives**, **crafting a strategy**, **implementing** and **evaluating the strategy**, and initiating **corrective adjustments**. It is a cyclic process.

A. Objectives of Strategic Management

1. **Create Competitive Advantage:** To outperform competitors and deliver superior value to customers.
2. **Guide through Environment:** To successfully react to changes in the environment.

B. Importance (Benefits) of Strategic Management

- **Direction:** Helps define realistic objectives, goals and mission, giving the company a clear direction which are in line with the vision of the company.
- **Proactive Approach:** Enables organizations to shape their future and control their destiny rather than being mere spectators.

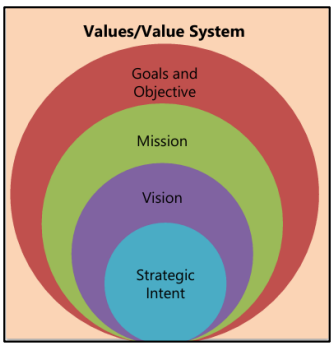
- **Framework for Decisions:** Provides better guidance for crucial decisions on businesses, products, and markets.
- **Pathfinder:** It seeks to prepare the organisation to face the future. Helps identify available opportunities and means to reach them.
- **Corporate Defense Mechanism:** Helps avoid costly mistakes and pitfalls in product-market choices.
- **Longevity:** Helps the business survive in a dynamic environment by not relying solely on luck.
- **Core Competencies & competitive advantage:** Facilitates the development of Core Competencies and competitive advantages for survival and growth.

C. Limitations of Strategic Management

- **Complex & Turbulent Environment:** Future shapes are difficult to predict. Estimates may go wrong.
- **Time-Consuming:** Planning and strategizing consume time that might impede daily operations.
- **Costly Process:** Requires expert planners and significant funds for analysis and implementation.
- **Competitor Responses:** It is difficult to estimate how competitors will react.

4. Strategic Intent

Strategic Intent gives **an idea of what the organisation desires to attain in future** - "**what they want to do**" and "**why they want to do it**". It serves as the philosophical base of strategic management.



A. Vision

- **Definition:** The blueprint of the company's **future position**. It describes **what the organisation would like to become in future**.
- **Role:** Strategic vision speaks about
  - **management's aspirations** for the business,
  - providing a panoramic view of the **"where we are to go"** and
  - convincing rationale for **why this makes good business sense** for the company
- **Essentials:**
  - Think creatively, Intelligent entrepreneurship, Well-articulated, Best worded
- **Examples:**
  - *HDFC Bank:* To be a "world-class Indian bank".
  - *LIC:* "A trans-nationally competitive financial conglomerate...".
  - *Apple:* "To make great products...".

B. Mission

- **Definition:** Delineates the firm's **present business**, its goals, and ways to reach them. It answers "What business are we in?" and "Who we are and what we do".
- **Role:** Why should an organization have a mission?
  - → To ensure **unanimity of purpose** within the organisation.
  - → To develop a **basis or standard**, for **allocating organisational resources**.
  - → To provide a **basis for motivating** the use of the organisation's resources.
  - → To establish a **general tone or organisational climate**, to suggest a business- like operation.

- **Peter Drucker's Perspective:** The answer to "What business are we in?" should have a **marketing/external perspective**, not a production perspective.
  - *Example:* Indian Railways is not just "running a railroad" (production) but "offering a transportation system" (marketing).
  - *Example:* Lakme does not just "make cosmetics" (production); they "sell hope" (marketing).
- **Essentials:** Should be precise, clear, feasible, distinctive, and motivating.

C. Goals and Objectives

- **Goals:** End results the organization attempts to achieve (**Open-ended**).
- **Objectives:** Time-based, measurable targets to accomplish goals (**Close-ended**).
- **Characteristics:** Should be concrete, specific, measurable, controllable, challenging, and related to a time frame.
- **Long-term vs. Short-term:**
  - *Short-term:* Focus on immediate performance (quarterly/annual).
  - *Long-term:* Usually 2-5 years. Covers areas like Profitability, Productivity, Competitive Position, Employee relations, Technological leadership, public responsibility.

D. Values

- **Definition: deep rooted guiding principles which guides decisions & actions in the organization, it creates a sense of shared purpose to build a strong foundation and focus on longevity of the company's success**.
- **Nature:** Inherent and sacrosanct; never compromised for short-term gain.
- **Importance:** Builds a strong foundation and connects with customers/employees who share similar beliefs.
- **Examples:** Integrity, Trust, Innovation. HDFC Bank's values include "Operational Excellence" and "Customer Focus".

Relationship: Values are the core/center. Vision surrounds values, followed by Mission, then Goals & Objectives.

5. Strategic Levels in Organizations

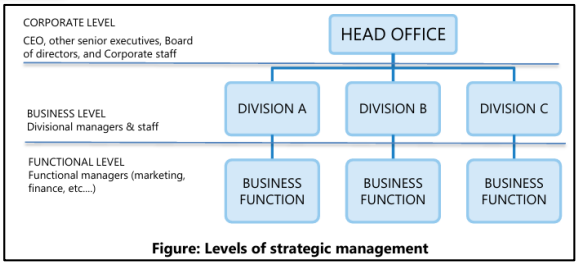


Figure: Levels of strategic management

Level 1: Corporate Level (Top Management)

- **Who:** CEO, Board of Directors, Senior Executives, Corporate Staff.
- **Primary Question: "Where to compete?"**.
- **Role:**
  - Provide organisation level view of strategy and guardians of shareholders' welfare.
  - Oversee development of strategies for the whole organization.
  - Define mission and goals.
  - Allocate resources among different businesses.
  - Decide on mergers, acquisitions, and divestments.
  - Ensure shareholder wealth maximization.
  - Formulating and implementing strategies.
  - Leadership for organisation as a whole.

Level 2: Business Level (Divisional/SBU)

- **Who:** Divisional Managers & staff.
- **Primary Question:** "**How to compete?**".
- **Role:**
  - Translate corporate intent into concrete strategies for individual businesses.
  - Responsible for the healthy growth of their specific division (SBU) and achieve higher profitability.
  - Create competitive advantage in their specific product/market.

Level 3: Functional Level (Operational)

- **Who:** Functional Managers (Marketing, Finance, HR, Production, etc.).
- **Primary Question:** "**How to implement business strategy?**".
- **Role:**
  - Responsible for specific business functions or operations.
  - Execute corporate and business-level plans.
  - Provide vital information to corporate level general managers for realistic strategy formulation.

A. Top-down approach to decision making is when decisions are made solely by leadership at the top i.e. corporate level of management.

B. Bottom-up approach gives all teams across the levels a voice in decision making

6. Network of Relationships Between Levels

1. **Functional and Divisional Relationship:**
   - Independent relationship.
   - Each function/division is run independently by a head who reports to the business head.
   - Suitable for clearly defined product lines.
2. **Horizontal Relationship:**
   - **Flat structure:** All positions from top management to staff are considered at the same level.
   - Promotes openness, transparency, and innovation.
   - **Suitability:** Best for **Startups** where speed and idea sharing are critical.
3. **Matrix Relationship:**
   - **Grid-like structure:** Teams are formed from various departments for temporary task-based projects.
   - Involves more than one boss.
   - **Suitability:** Useful for **huge conglomerates** to manage complex tasks, though complex for smaller firms.

2. Strategic Analysis - External Environment

1. Foundations of Business Environment

Organizations do not operate in a vacuum; they interact continuously with their environment. The "Business Environment" encompasses all external factors, influences, or situations that affect business decisions, plans, and operations.

A. Strategic Analysis

It is the diagnostic phase where internal and external environments are assessed to formulate strategy. It is a component of business planning that has a methodical approach, makes the right resource investments, and assist business in achieving its objectives. Two important considerations are:

(1) Industry and competitive conditions, and

(2) Organisation's own capabilities, resources, internal strengths, weakness, and market position.

External Analysis	Internal Analysis
A). Customer: Segments, motivations, unmet needs. **B). Competitor:** Strategic groups, performance, objectives, strategies, culture, cost structure. **C). Market:** Size, growth, profitability, entry barriers. **D). Environment:** Technological, government, economic, cultural, demographic.	**A). Performance:** Profitability, sales, customer satisfaction, product qualify, relative cost, new products, human resources. **B). Determinant:** Past and current strategies, strategic problems, organizational capabilities and constraints, financial resources, strengths, and weaknesses.
Identify: Opportunities, threats, trends and strategic uncertainties.	**Identify:** Strengths, weakness, problems, constraints, and uncertainties

Issues to consider

1. **Strategy evolves over a period of time -** Strategy evolves over a period of time (not static). It is influenced by experience.
2. **Balance of External and Internal factors -** Strategic analysis necessitates creating a reasonable balance between many and conflicting challenges. Management must consider opportunities, influences, and constraints while taking strategic decision.

Strategic decisions must balance conflicting forces. Risks arise when there is an imbalance.

3. **Risk -**

Risk	Short Time	Long Time
External	Errors in **interpreting** the environment causing strategic failure	Changes in environment leading to **strategy obsolescence**
Internal	Organizational **capacity** unable to cope with strategic demands	**Inconsistencies** with strategy due to changes in internal capacities or preferences

B. Interaction with Environment

1. **Determining Opportunities and Threats:** Identifying new needs, legal changes, and competitor moves.
2. **Giving Direction for Growth:** Identifying areas for expansion.
3. **Continuous Learning:** Updating skills and knowledge to meet predicted changes.
4. **Image Building:** Showing sensitivity to the environment (e.g., captive power plants to reduce grid load).
5. **Meeting Competition:** Analysing rival strategies to formulate effective counter-strategies.

C. Classification of Environment

1. Micro Environment

- **Definition:** The immediate periphery of the organization that influences it directly and regularly.
- **Components:** Suppliers, consumers, marketing intermediaries, competitors, employees, and the local community.
- **Key Issues to Address:** Employee characteristics, customer base, financing sources, supplier links, and direct competition.

2. Macro Environment

- **Definition:** Broader dimensions affecting operations, typically beyond the firm's direct control.
- **Components:** Economic, socio-cultural, technological, political, and legal factors.

2. Macro Environment Analysis (PESTLE)

1. **Political:** Government intervention, political stability, taxation policy, and thrust areas of leaders.
2. **Economic:** Market/trade cycles, interest rates, inflation, unemployment, and disposable income.
   - *Impact:* High interest rates hurt debt-heavy businesses and real estate demand.
3. **Socio-Cultural:** Social traditions, values, beliefs, demographics, and lifestyle trends.
   - *Core Beliefs:* Difficult to change; businesses must adjust to them.
4. **Technological:** Innovation potential, replacement technology, and access to patents.
   - *Dual Role:* Can be an opportunity (efficiency) or a threat (obsolescence).
5. **Legal:** Business laws, competition law, employment law, and health & safety regulations.
6. **Environmental:** Ecological issues, waste disposal, energy consumption, and climate change.

3. Internationalization

Global markets offer growth, cheaper resources, and economies of scale.

A. Characteristics of a Global Business

1. Conglomerate of multiple units linked by common ownership.
2. Common pool of resources (money, patents, brands).
3. Units respond to some common strategy.

B. Levels of International Analysis

1. **Multinational:** Broad global trends (economic/political).
2. **Regional:** Critical factors in a specific geographic area.
3. **Country:** In-depth look at legal, political, and cultural dimensions of a specific nation.

4. Features of product

A) Tangible or intangible B) Deliver Satisfaction C) Price D) Pivotal for business E) Has useful life

5. Industry & Competitive Analysis (Porter's Five Forces)

This model diagnoses competitive pressures in an industry. The collective strength of these five forces determines the industry's profit potential. The strategists use the five forces to determine what competition is like in a given industry by undertaking the following steps:

Steps: Identify the specific competitive pressures; Evaluate how strong the pressures; Determine whether the collective strength of the five competitive forces is conductive to earning attractive profits.

Force 1: Threat of New Entrants

New entrants can reduce industrial profitability because they add new production capacity leading supply at a lower price can substantially erode existing firm's market share position. They also place a limit on prices and effect the profitability of existing players. The threat is **low** if **Entry Barriers** are **high**.

Barriers to Entry:

- *Capital Requirements:* High investment needed blocks small players.
- *Economies of Scale:* Large existing firms produce at lower unit costs. It declines cost per-unit.
- *Product Differentiation:* Unique features/brand loyalty make it hard for entrants to steal customers.
- *Switching Costs:* Costs (financial/psychological) for buyers to switch to a new entrant.
- *Brand Identity:* Hard to build for infrequently purchased, high-cost items.
- *Access to Distribution Channels:* Existing firms may control channels.
- *Aggressive Retaliation:* Threat of price wars by incumbents.

Force 2: Bargaining Power of Buyers

Buyers exert pressure for lower prices or better services.

This leverage is particularly evident when:

- Buyers have full knowledge of sources/substitutes.
- They are big buyers (spend a lot).
- The product is not critical to the buyer.
- They can easily switch to substitutes and switching costs are low.

Force 3: Bargaining Power of Suppliers

Suppliers influence costs and availability of inputs. It affects the cost of raw material and other inputs of the industry and, therefore, industry attractive ness and profitability.

Supplier can command bargaining power over a firm when:

- Their products are crucial and have no substitutes.
- Suppliers are more concentrated (few in number).
- They can erect high switching costs.

Force 4: Rivalry Among Existing Firms

The competitors influence the strategic decisions at different strategic levels. The impact is more evident at functional level. Intensity of rivalry determines industry attractiveness and profitability. More - Intensity; Less - Industry attractiveness (vice-versa).

Rivalry is CUTTHROAT (Profitability LOW) when:

- *No Industry Leader:* No firm strong enough to discipline price wars.
- *Number of Competitors:* Many rivals make communication/discipline difficult.
- *High Fixed Costs:* Pressure to cut prices to utilize excess capacity.
- *High Exit Barriers:* Specialized assets prevent firms from leaving, keeping capacity high.
- *Low Product Differentiation:* Product is a commodity (e.g., memory chips).
- *Slow Growth:* Rivals must fight for market share rather than just growing with the market.

Force 5: Threat of Substitutes

Latent competition from products in *other* industries that perform the same function.

- Substitutes limit prices and profits.

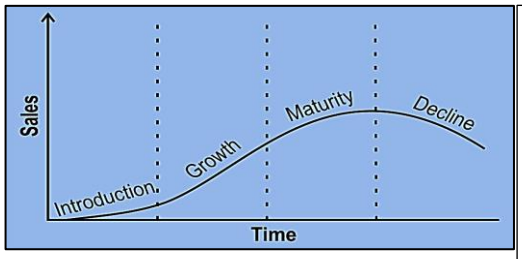
6. Industry Attractiveness

An industry is attractive if profit prospects are above average.

- *Relative Concept:* Unattractive industries for weak firms may be attractive for strong firms.
- *Key Conclusion:* If attractive -> Invest/Expand. If unattractive -> Invest cautiously/Diversify/Merge.

7. Strategic Analysis Tools & Concepts

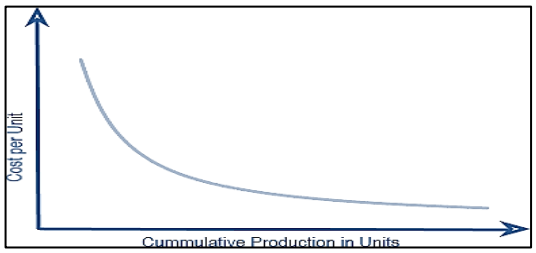
A. Product Life Cycle (PLC)



An S-shaped curve depicting sales over time through four stages. It is used to diagnose a portfolio of products (or businesses)

1. **Introduction:** Slow growth, Negligible competition, High prices, Limited markets, Low growth in sales. Strategy: Expansion.
2. **Growth:** Rapid demand expansion, Prices fall, Competition increases, Market expands. Strategy: Expansion.
3. **Maturity:** Slowdown in growth, Tough competition, Market stabilizes, Low profit. Strategy: Maintain stability/Cash cow.
4. **Decline:** Sharp sales drop, Replacement by new products. Strategy: Retrenchment or harvesting.

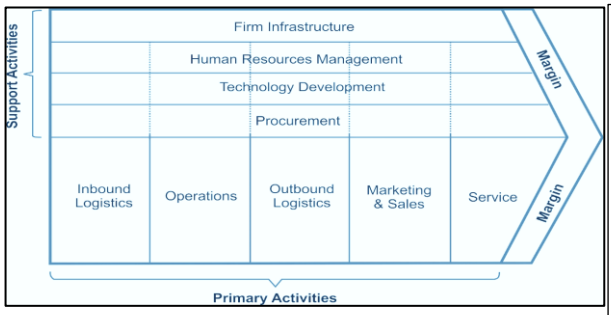
B. Experience Curve



Unit costs decline as cumulative production volume increases.

- *Logic:* "We learn as we grow" (Learning effects + Economies of scale).
- *Strategic Implication:* Larger firms have a cost advantage, acting as a barrier to entry.

C. Value Chain Analysis (Michael Porter)



Value chain analysis is a method of examining each activity in value chain of a business in order to identify areas for improvements**.** It deconstructs the firm into activities to identify sources of value and cost.

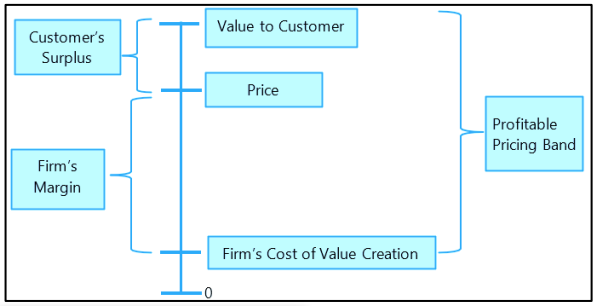
A) Primary Activities:

1. *Inbound Logistics:* Receiving/storing inputs.
2. *Operations:* Transforming inputs to outputs.
3. *Outbound Logistics:* Distributing to customers.
4. *Marketing & Sales:* Advertising, selling.
5. *Service:* Installation, repair, training.

B) Support Activities:

1. *Procurement:* Process of acquiring resources.
2. *Technology Development:* R&D, product design or resources.
3. *HR Management:* Recruiting, training, rewarding.
4. *Infrastructure:* Planning, finance, quality control.

D. Value Creation



Value is the worth customers place on a product.

- **Value Created = Value to Customer - Cost of Value Creation**.
- **Profitable Pricing Band:** Lies between Cost and Value to Customer.
- **Customer Surplus:** Value to Customer minus Price.
- **Firm's Margin:** Price minus Cost.

8. Market & Customer

A) Customer vs. Consumer: Customers buy; consumers use.

B). Customer Analysis

- **Definition:** Essential marketing component of any strategic business plan.
- **Primary Objectives:** Identifying target clients, determining desires/wants, defining how products meet those specific needs.

- **Key Analysis Activities:** * Administering customer surveys, Studying consumer data, Evaluating market positioning strategies, Selecting optimal market segmentation techniques.
- **Customer Profiling:** Developing profiles based on demographic variables (age, race, gender, ethnicity, economic level, geographic region).
- **Info Sources:** buyers, sellers, distributors, salespeople, managers, wholesalers, retailers, and suppliers.

C) Customer Behaviour

- **Definition:** Examination of *how* customers purchase products, including shopping frequency, product preferences, and marketing/service perception. It enables effective marketing/advertising campaigns, ensures product-need alignment, and drives customer retention/repeat sales.
- **Consumer Behaviour Process:**
  1. *Influences:* External (Marketing, Environment) & Internal (Psychological).
  2. *Decision Making:* Problem recognition -> Search -> Information -> Choice.
  3. *Post-Decision:* Evaluation (Satisfaction vs. Dissonance).

9. Competitive Strategy

A). Competitive Strategy

- **Definition:** Strategy defining how to compete, create, and sustain a competitive advantage over rivals in a specific business area.
- **Primary Objective:** Achieving superior, long-term profitability.
- **Two Evaluation Criteria:** 1. Creation of competitive advantage. 2. Protection of competitive advantage.
- **Analytical Prerequisite:** Requires an in-depth understanding of the industry's competitive character and main sources of competitive pressure.

B). Competitive Landscape is a business analysis is about identifying and understanding the competitors and at the same time, it permits the comprehension of their vision, mission, core values, niche market, strengths and weaknesses. There are five steps to understand competition:

1. **Identify Competitors:** Who are they? Market share?
2. **Understand Competitors:** What are their products/services?
3. **Determine Strengths:** Financials, distribution, marketing?
4. **Determine Weaknesses:** Where do they lack? (Check reviews/reports).
5. **Put it Together:** Draw inferences to fill gaps and exploit weaknesses.

C). Key Success Factors (KSFs)

- **Definition:** Specific strategy elements, product attributes, resources, competencies, and capabilities that spell the difference between profit and loss.
- **Three Identification Questions:**
  1. On what basis do customers choose between competing brands? (Crucial product attributes)
  2. What resources and competitive capabilities are needed for success? (Quality, cost, human capital)
  3. What does it take to achieve a sustainable competitive advantage?
- **Strategic Alignment:** Sustainable competitive advantage is gained by training strategy on KSFs and excelling distinctively at one or more of these factors.
- **Characteristics:**
  1. **Dynamic:** Vary from industry to industry and over time as competitive conditions change.
  2. **Limited Quantity:** Rarely more than three or four KSFs exist at any one time.
  3. **Strict Prioritization:** Minor factors must be excluded to concentrate management attention solely on critical success factors.

3. Strategic Analysis - Internal Environment

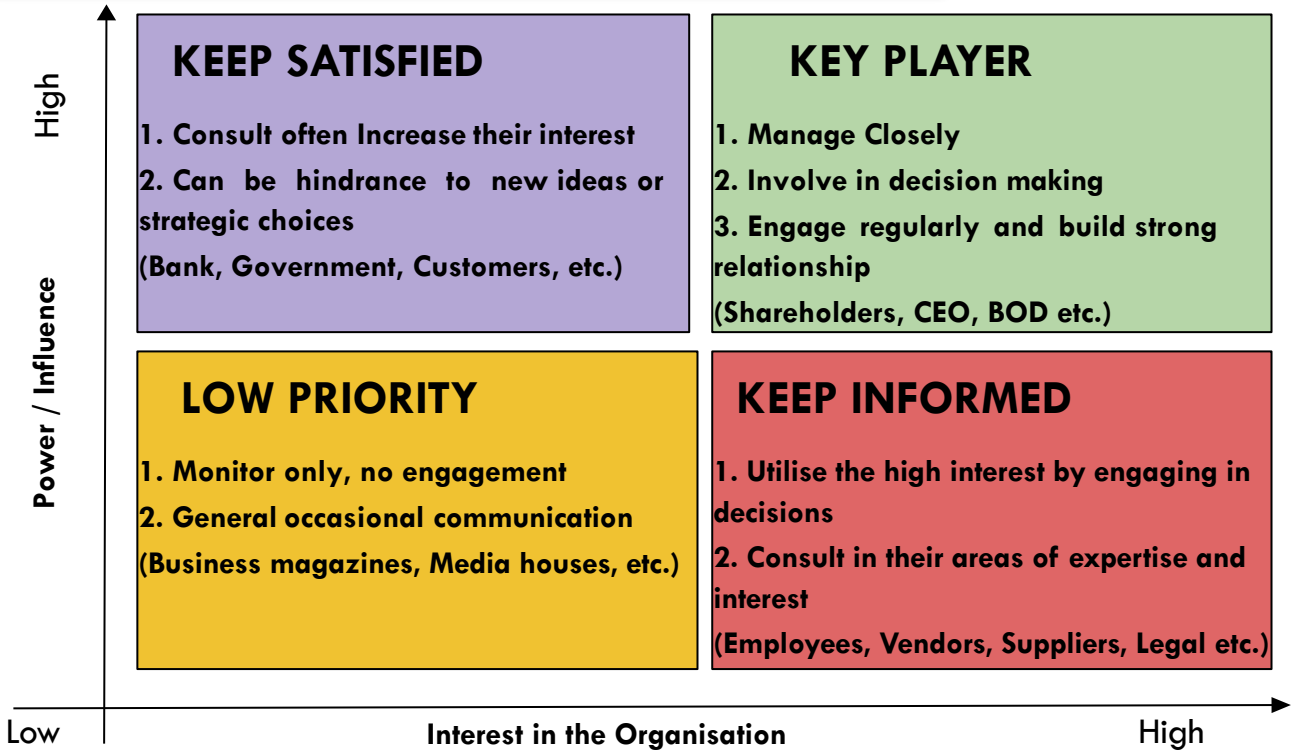
1. Internal Environment

- **Definition:** The internal environment refers to the sum total of people, stakeholders, processes, physical infrastructure, and administrative apparatus that shape an organization's identity.
- **Organization Specificity:** The internal environment is specific to each organization based on its unique structure and business model.
- **Intangible Elements:** It involves the understanding of organizational culture, ethics, principles, work environment, and philosophical aspects that aim for the success of the organization.

2. Key Stakeholders

- **Definition:** Any person or group of individuals, internal or external, that has an **interest** in, or impact on, the business strategy of the organization. They have the **power** to influence the strategy or performance of the organization.

3. Mendelow's Matrix (Stakeholder Analysis/Power-Interest Matrix)


KEEP SATISFIED
1. Consult often Increase their interest
2. Can be hindrance to new ideas or strategic choices
(Bank, Government, Customers, etc.)
KEY PLAYER
1. Manage Closely
2. Involve in decision making
3. Engage regularly and build strong relationship
(Shareholders, CEO, BOD etc.)
LOW PRIORITY
1. Monitor only, no engagement
2. General occasional communication
(Business magazines, Media houses, etc.)
KEEP INFORMED
1. Utilise the high interest by engaging in decisions
2. Consult in their areas of expertise and interest
(Employees, Vendors, Suppliers, Legal etc.)
High
Power / Influence
Low
Interest in the Organisation
High

4. Strategic Drivers

- **Definition:** Strategic drivers assess the current performance of the business and consider what differentiates an organization from its competitors.

A. Industry and Markets

- **Industry:** Similar companies are grouped together into industries based on the primary product that a company makes or sells.
- **Market:** A market is defined as the sum total of all the buyers and sellers in the area or region under consideration, driven by forces of supply and demand.
- **Market Specificity:** Market refers to all buyers and sellers of a particular product or service, meaning each business and product has its own specific market.
- **Strategic Group Mapping:** A tool used to identify one's position compared to competitors by placing them on a two-variable map. (**X - Range of products, Y - Reputation amongst consumers)**
- **Strategic Group** consists of rival firms that have similar competitive approaches and positions in the mkt.

1. **Identify Differentiating Characteristics** that distinguish firms within the industry. Typical variables include price/quality range, geographic coverage, degree of vertical integration, product-line breadth, use of distribution channels, and degree of service offered.
2. **Plot the Firms** on a two-variable map using pairs of these differentiating characteristics as the axes.
3. **Assign** the firms that fall into the same strategic space to the same strategic group.
4. **Draw circles** around each defined strategic group. Make the size of each circle proportional to the group's share of total industry sales revenues.

B. Customers vs. Consumers

- **Customer Understanding:** Understanding the different types of customers is the first step in deciding the product or service, as different customers require different sales models.
- **Strategic Focus:** Pricing perspective centres on the customer, while value creation and design usability center on the consumer.

C. Products/Services

- **Product** stands for the combination of goods-and-services that the company offers to the target market.
- **Product Differentiation:** Organizations differentiate products physically or psychologically on the basis of size, shape, colour, packaging, brand names, and after-sales service.
- **New Product Pricing Objectives:** Strategies for entering a market must maintain a customer-centric approach, produce sufficient returns through a reasonable margin, and increase market share.
- **Types of marketing a product or service**

1. **Social:** Programs seeking to increase the acceptability of a social idea, cause, or practice among target group.
2. **Augmented:** Providing additional customer services and hi-tech benefits besides the core product.
3. **Direct:** Utilizing advertising media that interact directly with consumers to call for a direct response.
4. **Relationship:** The process of creating, maintaining, and enhancing strong, value-laden relationships with customers and other stakeholders.
5. **Services:** Applying the tools, techniques of marketing concepts to essentially intangible activities or benefits.
6. **Person:** Activities undertaken to create, maintain, or change attitudes towards a particular person.
7. **Organization:** Activities undertaken to create, maintain, or change attitudes of target audiences towards an organization (Both profit or non-profit organization)
8. **Place:** Activities undertaken to create, maintain, or change attitudes towards particular places.
9. **Enlightened:** A philosophy supporting the best long-run performance of the marketing system via customer-oriented, innovative, value, sense-of-mission, and societal principles.
10. **Differential:** A market-coverage strategy targeting several market segments and designing separate offers for each.
11. **Synchro:** Finding ways to alter irregular patterns of demand through flexible pricing, promotion, and incentives.
12. **Concentrated:** A market-coverage strategy where a firm goes after a large share of one or a few sub-markets or niches.
13. **Demarketing:** Strategies implemented to temporarily or permanently reduce or shift overfull demand.

D. Channels

- **Channels are** distribution system by which an organization distributes its product or provides its service.
- **Competitive Advantage:** Wider and stronger channels provide a better position a business has to fight and win over competition and act as barriers to entry for new players.
- **Typically, three channels that should be considered**
  a. **Sales Channel:** The intermediaries involved in selling the product to the end user.

b. **Product Channel:** The series of intermediaries who physically handle the product on its path from producer to end user.

c. **Service Channel:** The entities that provide necessary services to support the product post-purchase or during installation.

3. Core Competencies

- **Core Competency:** According to C.K. Prahalad and Gary Hamel, Core competency is the collective learning in the organization, coordinating diverse production skills, and integrating multiple streams of technologies.
- **Competency Composition:** Core competencies cannot be built on a single capability; they are an integration of many resources and a combination of 5-15 areas of developed expertise.
  a. **Competitor Differentiation:** The competence must be unique and difficult for competitors to imitate to provide a competitive edge.
  b. **Customer Value:** The product or service must deliver a fundamental benefit and real impact that the end customer values as the reason to choose to purchase them.
  c. **Application to Other Markets:** The competence must be fundamental and applicable to the whole organization, not just one specified area of expertise.
- **Criteria for Building Core Competencies**
  a. **Valuable:** Capabilities that allow the firm to exploit opportunities or avert threats in its external environment.
  b. **Rare:** Unique capabilities possessed by very few competitors.
  c. **Costly to Imitate:** Capabilities that competing firms are unable to develop or copy easily.
  d. **Non-substitutable:** Capabilities that do not have strategically equivalent valuable resources.

4. SWOT Analysis

The primary objective is to help organizations develop a full awareness of all internal and external factors involved in making a business decision.

Components:

- **Strengths (Internal):** Inherent capabilities used to gain strategic advantage (e.g., strong brand, patent).
- **Weaknesses (Internal):** Inherent limitations or constraints which create strategic disadvantages (e.g., obsolete machinery, poor distribution).
- **Opportunities (External):** Favourable conditions in the environment (e.g., growing market, new tech).
- **Threats (External):** Unfavourable conditions in the environment (e.g., new competitors, strict regulations).

Significance:	**Limitations:**
– Provides a logical framework for systematic analysis. – Guides the strategist in strategy identification. – Matches internal potential with external possibilities.	– Does not provide for evaluation of SWOT in the competitive context. – Does not weigh the importance of different factors. – Oversimplifies the complex issues.

5. Competitive Advantage

It is an achieved advantage over rivals that results in organizational profitability higher than the average profitability for all companies in its industry.

Value Creation: It is achieved when a firm successfully implements a value creation strategy that other firms find too costly to imitate or duplicate.

Sustainability of Competitive Advantage

1. **Durability:** The rate at which a firm's underlying resources and capabilities depreciate or become obsolete (e.g., technology becomes obsolete quickly).
2. **Transferability:** The ability of competitors to gather the resources and capabilities necessary to support a competitive challenge (e.g., buying a machine is easy; copying a brand culture is hard).
3. **Imitability:** The rate at which a firm's underlying resources and capabilities can be duplicated by others.
4. **Appropriability:** The ability of the firm owners to capture the value that they create (i.e., profits do not leak to suppliers, employees, or customers).

6. Michael Porter's Generic Strategies (Business Level Strategies)

A. Cost Leadership Strategy

- **Definition:** A low-cost strategy aimed at a broad mass market, emphasizing the production of standardized products at a very low per-unit cost for price-sensitive consumers.
- **Objective:** To produce standard products at a lower cost than competitors, allowing the firm to either charge lower prices to gain market share or charge average prices to earn higher profits.
- **Achieved By:**
  - Prompt forecasting the demand for product or service.
  - Optimum utilization of resources to achieve cost advantages.
  - High efficiency and economies of scale.
  - Standardisation of products.
  - Invest in cost saving technologies and using advanced technology for efficient working.
- **Advantages:**
  - **Rivalry:** Competitors hesitate to compete on price.
  - **Buyers:** Powerful buyers cannot drive prices below the cost of the next most efficient competitor.
  - **Suppliers:** The firm can absorb cost increases due to higher margins.
  - **Entrants:** Low-cost acts as a barrier to entry.
  - **Substitutes:** Cost leaders are better positioned against substitutes than high-cost rivals.
- **Disadvantages/Risks:**
  - Technological changes may nullify past investments or learning.
  - Competitors may learn low-cost methods easily.
  - Focus on cost may lead to overlooking necessary product changes or marketing.
  - Cost inflation may narrow the price differential.

B. Differentiation Strategy

- **Definition:** A strategy aimed at producing products and services considered unique industry-wide and directed at consumers who are relatively price-insensitive. The uniqueness can be based on product design, brand image, features, technology, dealer network, or customer service.
- **Objective:** To charge a premium price for the perceived uniqueness.
- **Achieved By:**
  - Ensuring high product quality and performance.
  - Strong marketing and brand building.
  - Product innovation.
  - Match products with customer tastes.
- **Advantages:**
  - **Rivalry:** Brand loyalty acts as a safeguard against competition.

- **Buyers:** Buyers are less sensitive to price due to lack of comparable alternatives.
- **Suppliers:** Differentiators can charge premium price.
- **Entrants:** Brand loyalty creates a barrier to entry.
- **Substitutes:** Unique features reduce the threat of substitutes.

- **Disadvantages/Risks:**
  - The cost differential between low-cost competitors and the differentiated firm may become too great for customers to hold brand loyalty.
  - Buyers' need for the differentiating factor may decline.
  - Imitation by competitors narrows the perceived difference.

C. Focus Strategy

- **Definition:** A strategy producing products and services that fulfil the specific requirements and distinctive preferences of small, narrow groups of consumers.
- **Basis:** It rests on the premise that the firm can serve a narrow strategic target more effectively or efficiently than competitors who compete broadly.
- **Types:**
  1. **Cost Focus:** A strategy requiring an organization to compete based on price to target a narrow mkt.
  2. **Differentiation Focus:** A strategy requiring an organization to offer unique features that fulfil the specific demands of a narrow market.
- **Achieved By:**
  - Selecting niches which are not covered by cost leaders and differentiators.
  - Creating superior skills.
  - Generating high efficiencies.
  - Developing innovative ways.
- **Advantages:**
  - Protects the firm from competitors who may not serve the niche well/difficult to compete.
  - Organisations can charge premium price.
- **Disadvantages/Risks:**
  - The niche market may disappear or become too small.
  - Due to limited demand for products/services, costs are high.
  - Competitors may find sub-segments within the strategic target.

D. Best-Cost Provider Strategy

- **Definition:** A model directed towards giving customers more value for the money by keeping costs and prices lower than comparable products while emphasizing upscale differences.
- **Target:** Value-conscious buyers.
- **Objective:** To offer products with upscale attributes at a lower cost than rivals.

Generic Competitive Strategies

	Low Cost	Differentiation
Broad Buyers	Overall Low - Cost Leadership	Broad Differentiation
Narrow Buyers	Focused Low - Cost	Focused Differentiation

4. Strategic Choices

1. Introduction to Strategic Choice

Strategic choice is the decision-making process where the strategist selects the best strategy from available alternatives. It involves generating strategic options, evaluating them, and selecting the one that best helps the organization achieve its objectives.

Criteria for Strategy Selection

1. **Objective:** The strategy must be able to achieve the organizational objective.
2. **Constraints:** The strategy must operate within the constraints of the organization (internal capabilities) and the external environment.

2. Corporate Level Strategies

I. Stability Strategy

- **Definition:** The firm stays with its current businesses and product markets; maintains the existing level of effort; and is satisfied with incremental growth.
- **Characteristics:**

a.	Stays with the same business, same product-market posture and functions, same level of efforts.
b.	Enhance functional efficiencies in an incremental way/ slow growth.
c.	Does not involve a redefinition of the business of the corporation.
d.	It is a safe strategy that maintains status quo.
e.	It does not warrant much of fresh investments.
f.	The risk involved in this strategy is less.
g.	The organization can concentrate on its resources and existing businesses/products and markets.
h.	The firms with modest growth objective choose this strategy.

- **When to Adopt:**

1.	It **continues to serve in the same or similar markets** and deals in same or similar **products and service**
2.	Product have reached the **maturity stage of product life cycle** or **sufficient market share**.
3.	Pace with the dynamic and volatile business world to preserve their market share.
4.	Hence, stability strategy should not be confused with **'do nothing' strategy'**.

II. Expansion / Growth Strategy

- **Definition:** A strategy where the firm redefines the business by enlarging the scope of business and substantially increasing efforts of the current business, or starting a new business.
- **Characteristics:**

a.	Redefinition of the business
b.	High rewards
c.	Highly versatile and popular strategy.
d.	Involves significant investments and risk.
e.	Equated with dynamism, Vigor, and success.

- **Types of Expansion:**

A. Internal Growth Strategy

1. Expansion through Intensification

Market Penetration	Increasing sales of *existing* products in *existing* markets
Market Development	Selling *existing* products in *new* markets
Product Development	Selling *new* products in *existing* markets

2. Expansion through Diversification

a. **Concentric Diversification:** Entering a new business that is **related** to the existing business (technology, markets, or products).
   a. **Vertical Diversification:** Moving up or down the value chain.
      i. Backward Integration: Creating/acquiring the source of raw materials (input).
      ii. Forward Integration: Moving closer to the ultimate customer (e.g., manufacturing to retail).
   b. **Horizontal Integration:** Acquiring or merging with a competitor at the same stage of production/marketing process.

b. **Conglomerate Diversification:** Entering a new business that is **unrelated** to the existing business.

c. **Innovation: Upgradation of existing product lines or processes,** leading to increased market share, revenues, profitability and most important, customer satisfaction.

B. External Growth Strategy

1. Mergers and Acquisitions (M&A)

- **Merger:** A combination of two or more organizations where one acquires the assets and liabilities of the other in exchange for stock or cash, or both are dissolved to form a new entity.
- **Acquisition:** One firm buys another firm (controlling interest).
- **Types of Mergers:**

1. **Horizontal Merger:** Firms in the same industry/business merge.
2. **Vertical Merger:** Firms at different stages of production merge (e.g., supplier and mfg).
3. **Co-generic Merger:** Firms who are associated in some way (related markets or technologies) but not direct competitor's merge.
4. **Conglomerate Merger:** Firms in totally unrelated industries merge.

2. Strategic Alliances

- **Definition:** A relationship between two or more parties to pursue a set of agreed-upon goals or to meet a critical business need while remaining independent organizations.

Advantages	Disadvantages
– **Organizational:** Increases production capacity or capabilities. – **Economic:** Reduces costs and risks; distributes risks and economies of scale. – **Strategic:** Access to new markets or technologies; creates competitive advantage. – **Political:** Helps bypass political/regulatory barriers in foreign markets.	– Sharing of profits and control. – Trade secrets. – Risk of strengthening a potential competitor

3. Joint Ventures

- **Definition:** A specific type of strategic alliance where two or more firms create a third, independent entity.
- **Purpose:** To tackle an opportunity that is too complex, large, or risky for a single firm to handle alone.

III. Retrenchment Strategy

- **Definition:** A strategy used when an organization wants to reduce the scope of its business definition. It involves partial or total withdrawal from products, markets, or functions.
- **Reasons:** Economic recession, stiff competition, or continuous losses.
- **Types of Retrenchment:**

1. **Turnaround Strategy:**
   - Focuses on reversing the decline of a declining business.

- *Action Plan:* Assessment of current problems -> Analyse causes -> Implement emergency plan -> Restructuring -> Returning to normal.
- *Danger Signals:* Declining market share, negative cash flow, mismanagement, uncompetitive products.

2. **Divestment Strategy:**
   - Involves the sale or liquidation of a portion of a business, a major division, or an SBU.
   - *Reasons:* Persistent negative cash flows, severity of competition, mismatch with the rest of the organization, or better alternatives for investment.

3. **Liquidation Strategy:**
   - Closing down a firm and selling its assets.
   - Considered the most extreme and unattractive strategy.
   - *Reasons:* The business is dead, and no further value can be created.

IV. Combination Strategy

- **Definition:** A mixture of the above strategies (Stability, Growth, Retrenchment) applied simultaneously or sequentially across different businesses within a large organization.
- **Usage:** Common in large, diversified organizations facing complex environments.
- **Example:** A company may divest one unit (Retrenchment), grow another (Expansion), and hold another steady (Stability).

3. Strategic Options

A. BCG Growth-Share Matrix

Developed by the Boston Consulting Group. It classifies SBUs based on two dimensions:

1. **Market Growth Rate:** (Vertical Axis) Measure of industry attractiveness.
2. **Relative Market Share:** (Horizontal Axis) Measure of competitive strength.

Quadrant	Mkt Share	Growth Rate	Description & Strategy
Stars	High	High	Leaders in high-growth markets. Require heavy investment to maintain growth. **Strategy: Build/Hold**.
Cash Cows	High	Low	Market leaders in mature markets. Generate more cash than they consume. **Strategy: Harvest** (use cash to fund Stars/Question Marks).
Question Marks	Low	High	High growth potential but low share. Need cash to become Stars. **Strategy: Build (if viable) or divest**.
Dogs	Low	Low	Low share in low-growth markets. Do not generate much cash. **Strategy: Divest or liquidate**.

B. Ansoff's Product-Market Growth Matrix

A tool that helps businesses decide their product and market growth strategy.

Strategy	Product	Market	Description
Market Penetration	Existing	Existing	Selling more of current products to current customers. Least risky.
Market Development	Existing	New	Selling current products to new markets (new geography, new demographics).
Product Development	New	Existing	Developing new products for existing markets. (e.g., new features, new variants).
Diversification	New	New	New products for new markets. Most risky strategy.

C. ADL Matrix

It uses two dimensions: 1) **Stage of Industry Maturity** 2) **Competitive Position**

Stage of industry maturity - Arthur D. Little (ADL) Matrix				
Competitive position	**Embryonic**	**Growth**	**Mature**	**Ageing**
Dominant	- Fast grow - Build barriers - Act offensively	- Fast grow - Attend cost leadership - Renew - Defend position - Act offensively	- Defend position - Attend cost leadership - Renew - Fast grow - Act offensively	- Defend position - Renew - Focus - Consider withdrawal
Strong	- Differentiate - Fast grow	- Differentiate - Lower cost - Attack small firms	- Lower cost - Focus - Differentiate - Grow with industry	- Find niche - Hold niche - Harvest
Favorable	- Differentiate - Focus - Fast grow	- Focus - Differentiate - Defend	- Focus - Differentiate - Harvest - Find niche - Hold niche - Turnaround - Grow with industry - Hit smaller firms	- Harvest - Turnaround
Tenable	- Grow with industry - Focus	- Hold niche - Turnaround - Focus - Grow with industry - Withdraw	- Turnaround - Hold niche - Retrench	- Divest - Retrench
Weak	- Find niche - Catch-up - Grow with industry	- Turnaround - Retrench - Niche or withdraw	- Withdraw - Divest	- Withdraw

Key Concepts:

Dominant	Rare, usually a monopoly
Strong	Considerable freedom to choose strategies; independent of competitors
Favourable	Distinct advantage; can sustain position
Tenable	Can survive but is vulnerable; implies a niche.
Weak	Unsatisfactory performance; must improve or exit

D. GE McKinsey Matrix (Stop-Light Strategy Matrix)

Developed by General Electric and McKinsey. It is more sophisticated than BCG.

Business Strength

Market attractiveness	Strong	Average	Weak
High	Invest/Expand	Invest/Expand	Select/Earn
Medium	Invest/Expand	Select/Earn	Harvest/Divest
Low	Select/Earn	Harvest/Divest	Harvest/Divest

Dimensions:

1. **Market Attractiveness:** Includes market size, growth rate, profit margins, competition intensity, etc.
2. **Business Strength:** Includes market share, brand equity, distribution capability, etc.

5. Strategy Implementation and Evaluation

1. Introduction

- **Implementation:** Putting strategic plans and initiatives into action.
- **Evaluation:** Measuring and assessing the effectiveness of implemented actions.

2. Strategic Management Process

- **Nature:** Methodical, dynamic, continuous, iterative, never-ending.
- **Integration:** Vision, mission, values, goals, strategic themes, implementation plans, performance measures.
- **Mechanism:** Semi-annual formal meetings; back-and-forth hierarchical give-and-take; creativity encouragement.

Five Stages of Strategic Management

Stage 1: Strategic Vision, Mission and Objectives

- **Strategic Vision:** Directional path; management aspirations; future preparation; identity molding.
- **Mission Statement:** Organizational role; overall strategic direction; stakeholder communication.
- **Corporate Goals/Objectives:** Quantum of growth desired; converts vision to specific targets; tracks progress.
- **Target Breakdown:** Companywide targets cascaded to distinct businesses, product lines, functional departments, individual units.

Stage 2: Environmental and Organisational Analysis

- **Environmental Scanning:** Systematic analysis of external economic, social, technological, market forces.
- **Organisational Analysis:** Review of internal financial, technological, productive, marketing, HR resources.
- **SWOT Framework:** Matching internal strengths/weaknesses with external opportunities/threats.

Stage 3: Formulating Strategy

- **Steps:** 1. Develop strategic alternatives. 2. Deep analysis of alternatives. 3. Alternative selection.
- **Strategic Choices:** Stability, growth/expansion, retrenchment, combination strategies.

Stage 4: Implementation of Strategy

- **Nature:** Operations-oriented activity; demanding; time-consuming.
- **Core Aspects:** Budget development, skill staffing, policy facilitation, best practices, MIS installation, workforce motivation, culture alignment, leadership exertion.
- **Strategic Fits:** Strategy alignment with capabilities, reward structure, internal systems, work climate.

Stage 5: Strategic Evaluation and Control

- **Trigger Point:** Evaluating progress, assessing new external developments, deciding on vision/strategy continuation vs. change.
- **Action:** Ferreting out causes of shortfalls (poor strategy vs. poor execution); taking timely corrective action.

3. Strategy Formulation Vs. Strategy Implementation

A. Core Distinctions

- **Corporate Strategy:** Overall game plan directing organizational success.

- **Strategic Planning (Formulation):**

1. Shapes organization/resources.
2. Assesses environmental impact.
3. Holistic organizational view.
4. Long-term success focus.
5. Senior management responsibility.
6. Planning/decision-making (forces before action).
7. Entrepreneurial, intellectual, rational process.
8. Emphasizes "Effectiveness".

Operational Planning (Implementation):

1. Current resource deployment.
2. Tactic development.
3. Modification of business functions.
4. Functional managers' responsibility.
5. Executing strategic plans (managing forces during action).
6. Administrative, operational, motivational process.
7. Emphasizes "Efficiency".
8. Projects current operations into future.

B. Strategic Uncertainty

- **Definition:** Unpredictability of future events impacting strategy (market, technology, competition, regulation).
- **Management Tactics:**
  - **Flexibility:** Quick environmental adaptation.
  - **Diversification:** Spreading risk across portfolios/markets.
  - **Monitoring/Scenario Planning:** Tracking key indicators; future scenario modelling.
  - **Building Resilience:** Strengthening processes, financial flexibility, risk management.
  - **Collaboration/Partnerships:** Pooling resources, sharing risks.
- **Impact:** It could have an impact on present, proposed, and even potential business. It will depend on the relative sales/profit importance of the impacted SBU. Some SBUs are more important than others.

C. Formulation-Implementation Matrix

Strategy Formulation		Strategy Implementation	
		Weak	Excellent
Sound	A	B	
Flawed	C	D	

D. Efficiency vs. Effectiveness

Operational Management	Strategic Formulation: Effective	Strategic Formulation: Ineffective
Efficient	Thrive 1	Die Slowly 2
Inefficient	Survive 3	Die Quickly 4

- **Efficiency:** Introspective; input-output ratio optimization; "doing the thing right".
- **Effectiveness:** External orientation; organizational goal attainment; survival requirement; "doing the right thing".

E. Linkages & Implementation Issues

- **Forward Linkage:** The formulation of strategy determines the direction of implementation. (e.g., A growth strategy requires a structure that supports expansion).

- **Backward Linkage:** Past implementation experiences and the current organizational context influence future strategy formulation. (e.g., If past implementation failed due to rigid structure, future strategies might favour flexibility)
- **Implementation Cascade:**
  Strategies → Programmes (goals, policies, steps) → Projects (time/cost specific) → Resource Allocation → Structural Design → Functional Policies → Behavioural Inputs.
- **Responsibility Shift:** Transition from strategists to divisional/functional managers causes implementation problems/surprises.
- **Requirements:** Early employee participation; top-down communication; bottom-up support; internal competitive benchmarking.

4. Strategic Change & Digital Transformation

A. Strategic Change Steps

1. **Recognize the need for change:** Environmental scanning; SWOT analysis; diagnosing unsupportive cultural facets.
2. **Create a shared vision:** Aligning individual/organizational objectives; consistent communication; visible management seriousness.
3. **Institutionalise the change:** Implementation; regular monitoring; deviation correction; developing capacity for self-renewal.

B. Kurt Lewin's Model of Change

- **Unfreezing the situation:** Breaking down old attitudes, customs, and traditions; preparing members to prevent surprise/social destruction.
- **Changing to the new situation (H.C. Kellman's 3 methods):**
  - **Compliance:** Enforcing reward and punishment strategies.
  - **Identification:** Adopting behaviour of psychological role models.
  - **Internalization:** Internal adjustment of individual thought processes; freedom to learn.
- **Refreezing:** Continuous reinforcement making new behaviour a permanent, normal way of life .
- **Nature:** Continuous, cyclical process due to environmental dynamism.

C. Digital Transformation Change Management

- **Four Essential Elements:**
  1. Defining goals and objectives.
  2. Assessing current state and identifying gaps.
  3. Creating a change roadmap.
  4. Implementing/managing change at every level.
- **Five Best Practices for SMEs:**
  1. **Begin at the top:** Focused, invested, united leadership.
  2. **Ensure change is necessary/desired:** Avoiding overly rapid tech introduction without sound strategy.
  3. **Reduce disruption:** Early communication, equipping staff, empowering change agents, preparing IT support.
  4. **Encourage communication:** Feedback channels, departmental collaboration.
  5. **Recognize change as the norm:** Continuous readiness; gradual implementation.
- **How to manage change during digital transformation?**

1. **Specify aims and objectives:** Clearly define the intended outcomes and precise objectives to ensure all participants share a clear grasp of the goals.
2. **Always, always, always communicate:** Routinely and honestly discuss the transformation objectives and specifically how they will affect stakeholders (employees, clients, and other parties).
3. **Be ready for resistance:** Anticipate that embracing change is challenging and proactively have a strategy in place for dealing with any resistance that arises.
4. **Implement changes gradually:** Introduce modifications incrementally rather than all at once, giving people time to become used to new methods without being overwhelmed.
5. **Offer assistance and training:** Provide workers with necessary guidance and training to navigate new procedures, software applications, and systems.

5. Organizational Framework & Structure

A. McKinsey 7S Model

- **Hard Elements (Management controlled):** Strategy, Structure, Systems.
  - **Strategy:** Blueprint to build core competencies and achieve sustainable competitive advantage.
  - **Structure:** The organizational division of work, departmental collaboration methods, and degree of centralization.
  - **Systems:** Formal and informal processes governing daily operational tasks and team execution lines.
- **Soft Elements (Culture governed):** Shared Values, Staff, Skills, Style.
  - **Shared Values:** The core guiding ideas and code of ethics that the organization subscribes to and communicates.
  - **Style:** The leadership approach that influences strategic decisions, staff motivation, and goals delivery.
  - **Staff:** The corporate talent pool, employee development tracking, and performance feedback programs.
  - **Skills:** The distinctive core competencies and base capabilities possessed by employees.
- **Interrelation:** Modifying one aspect creates a ripple effect requiring balancing across all others.
- **Limitations:** Ignores external environment; lacks performance conceptualization; static/inflexible.

B. Chandler's Strategy-Structure Relationship

- **Rule:** Changes in corporate strategy strictly dictate changes in organizational structure; structure follows strategy.
- **Resource Dictation:** Structure dictates how objectives are established and how resources are allocated.

C. Types of Organization Structure

1. Simple Structure

- **Strategic Fit:** Single-business strategy; single geographic market; focused cost leadership or differentiation.
- **Decision-Making:** Highly centralized. Owner-manager makes decisions, monitors activities, and is directly involved in daily operations. Staff executes directives.
- **Characteristics:** Little task specialization; minimal formalization/rules; unsophisticated information systems; frequent, informal communication.
- **Advantages:** Rapid product launches; minimal departmental silos; high openness to innovation; maximum structural flexibility; rapid environmental responsiveness.
- **Disadvantages:** Breaks down during growth; causes information overload and managerial pressure; fails due to owner-manager's skill or time constraints. Evolves into a functional structure.

2. Functional Structure

- **Strategic Fit:** Larger companies; low product diversification. Popular for design simplicity and low cost.
- **Operational Setup:** Grouped by core business function (Operations, Marketing, Finance, R&D, MIS). Led by CEO, supported by corporate staff and functional managers.
- **Advantages:** High labour specialization; continuous task/cost efficiency; minimal elaborate control systems; rapid intra-departmental decisions; overcomes simple structure growth constraints.
- **Disadvantages:** Functional differences impede cross-departmental coordination; high integration overhead for the CEO; specialists develop myopic/narrow perspectives and lose sight of holistic strategic vision. Evolves into a multidivisional structure.

3. Divisional Structure

- **Strategic Fit:** Required for managing multiple distinct products/services across diverse markets as an enterprise grows.
- **Operational Setup:** Decentralized functional activities performed centrally and within each division.
- **Four Configurations:**
  1. **Geographic Area:** Tailored for regional customer needs and dispersed branch facilities.
  2. **Product/Service:** Focuses on distinct or diverse standalone product lines.
  3. **Customer:** Caters strictly to distinct, non-overlapping consumer segments.
  4. **Process:** Grouped by physical workflow; strictly accountable for profits/revenues.
- **Advantages:** Clear performance accountability; explicit financial tracking; elevated employee morale via delegation; clear management grooming; local autonomy; healthy internal rivalry; easy expansion.
- **Disadvantages:** Highly expensive; duplication of functional specialists, staff, and facilities; high salary and control overhead; risk of inconsistent companywide practices.

4. Multidivisional (M-form) Structure

- **Strategic Fit:** Large-scale, highly diversified multi-business operations. Resolves coordination/control crises.
- **Operational Setup:** Autonomous divisions representing distinct businesses. Day-to-day operations delegated to division managers. Small corporate office manages macro strategy and financial control.
- **Failures Resolved:** Fixes functional priority conflicts, unallocated cost blindspots, loss-of-control problems, and frees up top management cognitive space.
- **Advantages:** Accurate performance monitoring; simplified control; inter-divisional benchmarking; optimal resource allocation; stimulates underperforming managers.
- **Control Mechanisms:** Uses *Strategic Controls* when diversification is low; uses *Financial Controls* (budgets/profits) when diversification is high (requires independent divisional performance).

5. Strategic Business Unit (SBU) Structure

- **Strategic Fit:** Massive multi-product/multi-business enterprises where individual product planning is impractical.
- **SBU Characteristics:** 1. Standalone planning capability. 2. Distinct competitors. 3. Led by a dedicated SBU manager responsible for strategy and profits.
- **Architecture:** Apex (Corporate HQ) → Middle (SBU Groups) → Base (Operating Divisions).
- **Grouping Logic:** Grouped by functional alignment, similar technologies, markets, or skills. High internal synergy with external autonomy (independent profit centres).
- **Advantages:** Corrects territorial defects; eliminates strategic vagueness; clarifies planning responsibilities; optimizes resource prioritization; enables objective macro reviews.

6. Matrix Structure

- **Strategic Fit:** Complex, changeable environments where multiple variables (product, function, geography) hold equal strategic priority. Combines functional stability with product flexibility.
- **Operational Setup:** Simultaneous functional and product forms. Permanent functional departments and temporary product units.
- **Complexity:** Dual-authority reporting (violates "unity of command"); dual budget lines; dual reward/punishment sources. Requires extensive communication and mutual trust.
- **Development Phases:** Cross-Functional Task Forces → Product/Brand Management → Mature Matrix.
- **Advantages:** Clear project objectives; visible worker impact; easy project termination; cross-fertilizes ideas.
- **Disadvantages:** High overhead costs; intense resource battles; continuous power struggles between product and functional managers; massive implementation difficulty.

7. Network Structure (Virtual Organization)

- **Strategic Fit:** Highly unstable environments requiring continuous innovation and rapid response times.
- **Operational Setup:** Radical "non-structure". In-house functions virtually eliminated. Geographically dispersed. Small core HQ acts as an electronic "broker" connecting independent external firms.
- **Mechanisms:** Project outsourcing and long-term contracts replace vertical integration. Reduces transaction costs ("buy" over "make").
- **Advantages:** Maximized structural flexibility; enables absolute concentration on core competencies; harvests specialized external efficiencies.
- **Disadvantages:** Partner alignment/troubleshooting issues; blocks internal synergy discovery; risk of over-specializing on the wrong core functions.
- **Behavioural Impacts:** Requires self-motivated continuous learners; creates confidence gaps; flat structures can feel intrusive due to intense interaction demands.

8. Hourglass Structure

- **Strategic Fit:** Driven by IT and communication advances that automate routine middle-management tracking tasks.
- **Operational Setup:** Three layers: Wide top tier, constricted/shrunken middle layer, widest base layer. IT directly links top and bottom levels.
- **Management Role:** Surviving middle managers function as cross-functional generalists handling intersecting issues, not narrow specialists.
- **Advantages:** Significantly reduced management overhead costs; highly accelerated decision-making velocity; decision authority sits close to the information source.
- **Disadvantages:** Severely diminished promotion opportunities; high worker monotony, boredom, and motivation crises.
- **Mitigation Tactics:** Implement challenging assignments, lateral job transfers, and strict performance rewards.

6. Organization Culture & Strategic Leadership

A. Organization Culture

- **Traits:** Ingrained beliefs, philosophy, values, traditions, business principles, internal work environment.
- **Origin Sources:** Management practices, ethical standards, official policies, stakeholder relationships, stories/legends, peer pressure.

- **Strategy-Culture Fit:** Compatible culture acts as a valuable execution ally (shapes mood, motivation, provides informal rules); mismatched culture acts as a stumbling block.
- **Changing Problem Culture Steps:**
  1. Diagnose unsupportive cultural facets.
  2. Open, forthright communication.
  3. Swift, visible, aggressive actions (revise policies, alter incentives, recognize new traits, hire role models, replace old executives).
     - **Timeframe:** Requires sustained top management commitment taking 2 to 5 years.

B. Strategic Leadership

- **Traits:** Envisioning future, maintaining flexibility, empowering others, managing human capital, initiating change.
- **Managerial Frame of Reference:** Foundational assumptions, premises, and accepted wisdom bounding a manager's understanding/mindset.
- **Five Execution Roles**

  ◎ **Staying on Top of Progress:** Closely monitoring execution, solving issues, and learning about operational obstacles.

  ◎ **Promoting *Esprit de Corps*:** Mobilizing and energizing organizational members to execute strategy competently at a high level.

  ◎ **Fostering Responsiveness:** Keeping the organization alert for new opportunities, innovative, and ahead of rivals in developing capabilities.

  ◎ **Exercising Ethical Leadership:** Insisting that the company conducts its affairs as a model corporate citizen.

  ◎ **Pushing Corrective Actions:** Driving necessary adjustments to improve strategy execution and overall strategic performance.
- **Responsibilities**
  - ◎ Making strategic decisions.
  - ◎ Formulating policies and action plans.
  - ◎ Ensuring effective organizational communication.
  - ◎ Managing human capital (the most critical skill).
  - ◎ Creating and sustaining a strong corporate culture.
  - ◎ Sustaining high performance over time.
- **Leadership Styles:**
  - **Transformational Leadership:** Charisma, enthusiasm, intellectual stimulation; suitable for turbulent environments, life-cycle transitions, major changes.
  - **Transactional Leadership:** Designing systems, controlling activities, formalized motivation/rewards; suitable for static environments, mature industries, operational efficiency.

7. Strategic Control

A. Control Process Elements

1. Operationalizing objectives into measurable standards.
2. Mechanism for monitoring/measuring performance.
3. Mechanism for comparing results, detecting deviations, and learning insights.
4. Mechanism for feeding back corrective/adaptive instructions.

B. Types of Organizational Control

- **Operational Control:** Thrust on individual tasks/transactions; measurable input-output relationships; mechanistic (e.g., inventory, quality control).
- **Management Control:** Inclusive, aggregative control of complete departments/divisions.
- **Strategic Control (4 Types):** Evaluating strategy as formulated and implemented.
    1. **Premise Control:** Continuous monitoring of environmental (economic, tech, social) and industry (competitors, suppliers) assumptions validating the strategy.
    2. **Strategic Surveillance:** Unfocussed, general monitoring of diverse information sources (browsing, magazines, conferences).
    3. **Special Alert Control:** Immediate, intense strategy review triggered by sudden unexpected crisis events handled by crisis management teams.
    4. **Implementation Control:** Monitoring basic strategic direction via incremental steps.
        - *Monitoring strategic thrusts:* Determining macro progression.
        - *Milestone Reviews:* Segregating activities by time, events, or resource allocation for complete reassessment.

8. Strategic Performance Measures (SPM)

- **Purpose:** Tracking strategy effectiveness, increasing executive understanding, eliminating organizational silos, guiding resource allocation.
- **Political vs. Rational Forces:** Rational forces seek communication/self-analysis; Political forces seek empire preservation, resulting in unspoken/implicit strategies.

A. Six Types of SPM

1. **Financial Measures:** Revenue growth, ROI, profit margins.
2. **Customer Satisfaction Measures:** Retention, loyalty, satisfaction indices.
3. **Market Measures:** Market share, acquisition, referrals.
4. **Employee Measures:** Satisfaction, turnover rate, engagement.
5. **Innovation Measures:** R&D spending, patents, new product launches.
6. **Environmental Measures:** Energy consumption, waste reduction, carbon emissions.

B. Holistic Measurement Frameworks

- **Triple Bottom Line (TBL):** People, Planet, Profits.
- **Quadruple Bottomline:** People, Planet, Profits, Purpose (spiritual dimension).

C. Importance of SPM

- Goal Alignment.
- Resource Allocation.
- Continuous Improvement.
- External Accountability (shareholders, regulators).

D. Selection Factors for SPM

1. **Relevance:** Aligned with goals, actionable information.
2. **Data Availability:** Readily available, collected without obstacles.
3. **Data Quality:** Accurate, reliable data.
4. **Data Timeliness:** Current, up-to-date for prompt decision making.